

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name TOWNSHIP OF STANDISH	County ARENAC
Audit Date 03/31/2005	Opinion Date 05/09/2005	Date Accountant Report Submitted to State: 06/27/2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) STEPHENSON, GRACIK & CO., P.C.			
Street Address 325 NEWMAN STREET, PO BOX 592	City EAST TAWAS	State MI	ZIP 48730
Accountant Signature  Donald W. Brannan CPA		Digitally signed by Stephenson, Grack and Co., P.C. DN: cn=Stephenson, Grack and Co., P.C., c=US Date: 2005.02.14 14:30:02 -05'00'	



Stephenson Gracik & Co., P.C.

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TOWNSHIP OF STANDISH
ARENAC COUNTY, MICHIGAN

AUDITORS' REPORT
YEAR ENDED MARCH 31, 2005

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May 9, 2005

Independent Auditors' Report

Members of the Township Board
Township of Standish
Arenac County, Michigan

We have audited the accompanying financial statements of the governmental activities, the major fund and the remaining fund information of the Township of Standish, Arenac County, Michigan, as of and for the year ended March 31, 2005, which collectively comprise a portion of the Township's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As described more fully in Note 2, management has not presented the management discussion and analysis and the government-wide financial statements to display the financial position and changes in financial position of its governmental activities. Accounting principles generally accepted in the United States of America require the presentation of the management discussion and analysis and the government-wide financial statements. The amounts that would be reported in the government-wide financial statements for the Township's governmental activities is not reasonably determinable.

In our opinion, except for the effects on the financial statements of the omissions described in the preceding paragraphs, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets and liabilities arising from cash transactions of the Township of Standish, Arenac County, Michigan, as of March 31, 2005, and the revenues it received and expenditures it paid for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2005, on our consideration of the Township of Standish's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As described in Note 2, the Township of Standish has partially implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as of March 31, 2005.

Members of the Township Board
Township of Standish
May 9, 2005
Page Two

The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Stephenson, Grailh & Co., P.C.

TOWNSHIP OF STANDISH
Arenac County, Michigan

STATEMENT OF ASSETS, LIABILITIES
 AND FUND EQUITY - CASH BASIS
 GOVERNMENTAL FUND
 March 31, 2005
With Comparative Totals for March 31, 2004

	<u>March 31, 2005</u>	<u>March 31, 2004</u>
<u>ASSETS</u>		
Cash and cash equivalents(Note 3)	\$ 85,538	\$ 76,180
Investments (Note 3)	264,890	259,237
Due from other funds (Note 4)	<u>12</u>	<u>31,350</u>
Total Assets	<u>\$ 350,440</u>	<u>\$ 366,767</u>
 <u>LIABILITIES AND FUND EQUITY</u>		
<u>Liabilities</u>		
Accrued payroll taxes	\$ 816	\$ 771
 <u>Fund Equity</u>		
Fund balances:		
Unreserved:		
Undesignated, reported in General Fund	<u>349,624</u>	<u>365,996</u>
Total Liabilities and Fund Equity	<u>\$ 350,440</u>	<u>\$ 366,767</u>

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF STANDISH
Arenac County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND
 CHANGES IN FUND BALANCES - CASH BASIS
 GOVERNMENTAL FUND
 For the Year Ended March 31, 2005
With Comparative Totals for the Year Ended March 31, 2004

	<u>March 31, 2005</u>	<u>March 31, 2004</u>
<u>Revenue</u>		
Taxes	\$ 33,315	\$ 32,214
State revenue	142,092	144,829
Charges for services	5,560	8,000
Licenses and permits	1,648	1,994
Interest and rents	5,751	6,550
Other revenue	7,579	5,949
Total revenue	<u>195,945</u>	<u>199,536</u>
<u>Expenditures</u>		
Current:		
General government	108,930	87,825
Public safety	36,364	35,272
Public works	47,110	89,564
Community and economic development	5,937	7,529
Recreation and cultural	500	500
Other functions	13,476	7,883
Capital outlay	0	5,197
Total expenditures	<u>212,317</u>	<u>233,770</u>
Excess of revenue over (under) expenditures	(16,372)	(34,234)
Fund balances - beginning of year	<u>365,996</u>	<u>400,230</u>
Fund balances - end of year	<u>\$ 349,624</u>	<u>\$ 365,996</u>

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF STANDISH
Arenac County, Michigan

STATEMENT OF FIDUCIARY ASSETS
 AND LIABILITIES - CASH BASIS
 FIDUCIARY FUND

For the Year Ended March 31, 2005
With Comparative Totals for the Year Ended March 31, 2004

	<u>March 31, 2005</u>	<u>March 31, 2004</u>
<u>ASSETS</u>		
Cash and cash equivalents (Note 3)	\$ 12	\$ 31,347
Due from local units	<u>0</u>	<u>3</u>
Total Assets	<u>\$ 12</u>	<u>\$ 31,350</u>
<u>LIABILITIES</u>		
Due to other funds (Note 4)	<u>\$ 12</u>	<u>\$ 31,350</u>

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF STANDISH
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Township Operations

The Township of Standish operates under an elected Township Board (five members) and provides services to its residents in many areas, including road maintenance and fire protection. The financial statements of the Township have been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted (GAAP) in the United States of America as applied to governmental units. The Township's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements, except as noted in Note 2. All activities over which the Township exercises oversight responsibility have been included in the reporting entity. Oversight responsibility is determined by factors such as financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters of the entity.

B. Joint Venture

The Standish Area Fire Authority was established as a joint venture between the City of Standish, Township of Lincoln and the Township of Standish. The Board was established to provide fire protection services to the constituent municipalities. Complete financial statements can be obtained from the Standish Area Fire Authority's office located in the Township of Lincoln fire hall, Standish, Michigan.

C. Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are two categories of funds: governmental and fiduciary.

Governmental Funds

Governmental funds are those through which most of the governmental functions of the Township are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the sole governmental fund of the Township:

General Fund – This fund is used to account for all financial resources not accounted for in another fund. Revenues are derived primarily from property taxes and state revenue.

Fiduciary Fund

Fiduciary fund reporting focuses on net assets and changes in net assets. This fund is used to account for assets held in trust or as an agent for others. The Township uses this fund to account for current tax collections.

D. Basis of Presentation

The Township's basic financial statements consist of fund financial statements which provide a detailed level of financial information.

TOWNSHIP OF STANDISH
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Presentation (Continued)

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at a detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. All of the Township's funds are considered major funds. Fiduciary funds are reported by type.

E. Basis of Accounting

The Township's policy is to prepare its financial statements on the cash receipts and disbursements basis of accounting; consequently, certain revenues are recognized when cash is received rather than when earned, and certain disbursements are recognized when cash is disbursed rather than when the obligation is incurred. Financial statements prepared on this basis of accounting are not intended to present financial position and results of operations in accordance with generally accepted accounting principles. Financial activity is recorded as follows:

1. Property taxes and other revenue that are both measurable and available for use for financial operations are recorded as revenue when collected.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the County tax rolls.

For the current year, the taxable value for properties located within the Township was \$36,364,846. The tax rate was 0.9040 mills for operations.

2. Nonexchange transactions, in which the Township receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from these sources is recognized when collected.
3. Payments for inventoriable types of supplies are recorded as expenditures at the time of purchase.
4. Normally, expenditures are not divided between years by the recording of prepaid expenses.
5. Payrolls and other costs are recorded when incurred.

F. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

TOWNSHIP OF STANDISH
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Cash and Cash Equivalents

For presentation on the financial statements, investments in cash management pools and investments with an original maturity of three months or less at the time they are purchased by the Township are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

H. Budgets and Budgetary Accounting

The Township normally follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Township Clerk submits a proposed operating budget to the Township Board which includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to April 1, the budget is legally enacted through passage of an ordinance.

All budget appropriations lapse at year end. Budgetary amounts reported herein are as originally adopted or as amended by the Township Board.

Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles, and consist only of those amounts contained in the formal budget approved and amended by the Township Board.

NOTE 2 - CHANGE IN ACCOUNTING PRINCIPLES

For 2005, the Township has implemented, with exceptions as noted below, Governmental Accounting Standards Board (GASB) Statement Number 33 "Accounting and Financial Reporting for Non-Exchange Transactions," as amended by Statement Number 36 "Recipient Reporting for Certain Shared Non-Exchange Revenue," which establishes standards for recording non-exchange transactions on the modified accrual and accrual basis of accounting; GASB Statement No. 34, "Basic Financial Statements -and Management's Discussion and Analysis -for State and Local Governments"; GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments : Omnibus"; GASB Statement No. 38, "Certain Financial Statement Note Disclosures"; and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements".

GASB Statement No. 34 creates new basic financial statements for reporting on the Township's financial activities. The financial statements include government-wide financial statements prepared on the cash basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type. The government-wide financial statements split the programs between governmental activities and business-type activities.

TOWNSHIP OF STANDISH
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2005

NOTE 2 - CHANGE IN ACCOUNTING PRINCIPLES (CONTINUED)

The Township did not adopt GASB 34 and GASB 37 in its entirety, as permitted by the Local Audit and Finance Division of the Treasury Department of the State of Michigan (State of Michigan), because the Township believes that the cost of implementing the statements may exceed the benefit of the additional information. Also, the statements that are addressing modified and full accrual basis financial statements were not adopted by the Township due to the fact that the financial statements are prepared on the cash receipts and disbursements basis of accounting. The Township also believes that the omissions of the Management Discussion and Analysis, Government-wide Financial Statements and certain permitted note disclosures were not material to the statements as a whole due to the disclosure of the fixed assets in a separate note in this report. These amounts are not included as account groups in the fund statement, as in the past, per the requirements of GASB 34.

GASB Statement No. 37 makes certain clarifications regarding escheat property and modifies several provisions of GASB Statement No. 34. GASB Statement No. 38 modifies, establishes, and rescinds certain financial statement disclosure requirements.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

NOTE 3 - DEPOSITS AND INVESTMENTS

At year-end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Fund</u>	<u>Fiduciary Fund</u>	<u>Total Primary Government</u>
Cash and Cash Equivalents	\$ 85,538	\$ 12	\$ 85,550
Investments	<u>264,890</u>	<u>0</u>	<u>264,890</u>
	<u>\$ 350,428</u>	<u>\$ 12</u>	<u>\$ 350,440</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>
Bank Deposits (checking and savings accounts, certificates of deposit)	<u>\$ 350,440</u>

Deposits:

Deposits are carried at cost. Deposits of the Township are held at various banks in the name of the Township. At March 31, 2005, the carrying amounts of the Township's deposits were classified to risk as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 333,306	\$ 362,426
Uninsured – uncollateralized	<u>17,134</u>	<u>17,134</u>
Total primary government	<u>\$ 350,440</u>	<u>\$ 379,560</u>

TOWNSHIP OF STANDISH
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2005

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments:

The Township Board has adopted an investment policy in accordance with Act 196, PA 1997 which authorizes the Township to deposit and invest in the following:

- * Accounts of federally insured banks, credit unions and savings and loan associations
- * Bonds and other direct obligations of the United States or an agency or instrumentality of the United States
- * United States government or federal agency obligation repurchase agreements
- * Banker's acceptances of United States banks
- * Commercial paper rated within the two highest classifications by not less than two standard rating services which mature not more than 270 days after the date of purchase
- * Mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686, 54 Stat. 789 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation

Michigan law requires that public funds may not be deposited in financial institutions that do not maintain an office in Michigan. The Township's deposits and investments are in accordance with statutory authority.

NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables have not been eliminated in the preparation of the Combined Balance Sheet (Exhibit A).

The amounts of interfund receivables and payables as of March 31, 2005 were as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	\$ <u>12</u>	Tax	\$ <u>12</u>

TOWNSHIP OF STANDISH
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2005

NOTE 5 - CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	<u>Balance 4/1/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/05</u>
Land and improvements	\$ 16,056	\$ 0	\$ 0	\$ 16,056
Buildings and improvements	40,618	0	0	40,618
Equipment and fixtures	<u>27,664</u>	<u>0</u>	<u>0</u>	<u>27,664</u>
Totals	<u>\$ 84,338</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 84,338</u>

The Township has opted to disclose these assets in order to maintain their identity and related costs.

NOTE 6 - PENSION PLAN

The Township has a non-standardized money purchase pension plan with Travelers Life Insurance Company effective July 1, 1991. All full-time employees are covered under the plan. Eligibility to become a participant is limited to those employees who, on the effective date or on any anniversary date, have attained age 18. Vesting is 100% upon entering the plan.

Each employee must contribute 7.5% of their gross earnings to the plan. The Township is required to contribute an amount equal to 7.5% of the employee's gross earnings.

During the year, the Township's contributions amounted to \$4,396, which was 7.5% of the covered payroll period. Employees' contributions amounted to \$4,335. No pension provision changes occurred during the year that affected the required contributions to be made by the Township or its employees.

NOTE 7 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures have been shown on an activity basis. The approved budgets of the Township for these budgetary funds were adopted to the activity level.

During the year ended March 31, 2005, the Township incurred expenditures in the General Fund which were in excess of the amounts appropriated, as follows:

	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General Fund:			
Township hall	\$ 18,746	\$ 20,304	\$ 1,558
Employee benefits	\$ 7,836	\$ 7,882	\$ 46

TOWNSHIP OF STANDISH
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2005

NOTE 8 - UNEMPLOYMENT COMPENSATION

The Township is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the Township must reimburse the Employment Agency for all benefits charged against the Township. No liabilities have been incurred as of March 31, 2005.

NOTE 9 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Township continues to carry commercial insurance for risks of loss. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

NOTE 10 - TOTAL COLUMNS ON COMBINED STATEMENTS

Total columns on the combined statements are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 11 - COMPARATIVE DATA

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Township's financial position and operations. Some prior year balances have been reclassified to conform with the current year presentation.

REQUIRED SUPPLEMENTARY INFORMATION

TOWNSHIP OF STANDISH
Arenac County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 CASH BASIS - GENERAL FUND
For The Year Ended March 31, 2005

	Original Budget	Final Amended Budget	Actual	Variance - Favorable (Unfavorable)
<u>Revenue</u>				
Current property taxes	\$ 32,231	\$ 32,231	\$ 33,274	\$ 1,043
Taxes - other	41	41	41	0
State revenue	145,000	145,000	142,092	(2,908)
Charges for services	4,000	4,000	5,560	1,560
Licenses and permits	1,700	1,700	1,648	(52)
Interest and rents	4,500	4,500	5,751	1,251
Other revenue	5,528	5,528	7,579	2,051
Total revenue	<u>193,000</u>	<u>193,000</u>	<u>195,945</u>	<u>2,945</u>
<u>Expenditures</u>				
Current:				
General government				
Township board	7,400	12,135	11,560	575
Supervisor	8,000	8,471	8,000	471
Elections	1,500	3,500	3,382	118
Assessor	30,000	32,876	32,876	0
Board of review	1,100	1,560	1,556	4
Clerk	8,000	8,471	8,000	471
Treasurer	23,800	17,513	17,042	471
Township hall	10,000	18,746	20,304	(1,558)
Cemetery	7,000	7,000	6,210	790
Public safety				
Fire protection	40,000	36,364	36,364	0
Public works				
Highways, street and bridges	56,329	45,157	42,651	2,506
Street lighting	5,000	5,000	4,459	541
Community and economic development				
Planning commission	8,000	8,000	5,937	2,063
Recreation and cultural				
Library	500	500	500	0
Other functions				
Insurance	5,000	5,600	5,594	6
Employee benefits	5,100	7,836	7,882	(46)
Contingency	2,000	0	0	0
Total expenditures	<u>218,729</u>	<u>218,729</u>	<u>212,317</u>	<u>6,412</u>
Excess of revenue over (under) expenditures	(25,729)	(25,729)	(16,372)	9,357
Fund balances - beginning of year	<u>365,996</u>	<u>365,996</u>	<u>365,996</u>	<u>0</u>
Fund balances - end of year	<u>\$ 340,267</u>	<u>\$ 340,267</u>	<u>\$ 349,624</u>	<u>\$ 9,357</u>



Stephenson Gracik & Co., P.C.

Certified Public Accountants & Consultants

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May 9, 2005

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Members of the Township Board
Township of Standish
Arenac County, Michigan

We have audited the financial statements of the governmental activities and the major fund of the Township of Standish as of and for the year ended March 31, 2005, which collectively comprise a portion of the Township's basic financial statements and have issued our report thereon dated May 9, 2005. The report on the governmental activities was qualified because the Management Discussion and Analysis and Government-Wide Financial Statements were not included in the basic financial statements and because the basic financial statements were presented using a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of Standish's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

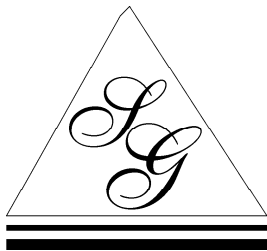
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Standish's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted one immaterial matter of noncompliance that we have reported to management of the Township of Standish in a separate letter dated May 9, 2005.

This report is intended solely for the information and use of management, the Township Board and the Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Stephenson, Gracik & Co., P.C.

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Stephenson Gracik & Co., P.C.

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May 9, 2005

Members of the Township Board
Township of Standish
Arenac County, Michigan

Dear Board Members:

We have audited the financial statements of the Township of Standish for the year ended March 31, 2005, and have issued our report thereon dated May 9, 2005. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated March 16, 2005, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting standards. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the Township of Standish. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Township of Standish's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township of Standish are described in Note 1 to the financial statements. As described in Note 2 to the financial statements, the Township of Standish changed accounting policies as a result of adopting, with certain exceptions, Statements of Governmental Accounting Standards (GASB Statements) No. 33, 34, 36, 37, 38 and Interpretation No. 6 in the year ended March 31, 2005. We noted no transactions entered into by the Township of Standish during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Township of Standish's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Township of Standish, either individually or in the aggregate, indicate matters that could have a significant effect on the Township's financial reporting process.

Members of the Township Board
Township of Standish
May 9, 2005
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Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township of Standish's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

Additional Information

As a result of our tests of compliance, one matter came to our attention upon which we would like to comment and offer the following recommendations.

Budget Control

We noted that the Township's General Fund included expenditures in a couple of activities that exceeded appropriated amounts. We recommend that the Township continue to amend the budgets for all funds as needed and take into consideration recurring year end audit adjustments.

We wish to express our appreciation for the cooperation and courtesies extended our staff by management and employees of the Township.

This information is intended solely for the use of management, the Township Board and the Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Stephenson, Grailh & Co., P.C.